



RENT ADVISORY COMMITTEE

Susan Fish, Chair
Pam Allison
Karen Kirwan
William Kraus
Gerry Mirassou

TOWN OF LOS GATOS RENT ADVISORY COMMITTEE

**THURSDAY, JANUARY 15, 2009
6:00 P.M.**

**208 East Main Street
Neighborhood Center
Los Gatos, California**

PARTICIPATION IN THE PUBLIC PROCESS

The Town of Los Gatos strongly encourages your active participation in the public process, which is the cornerstone of democracy. If you wish to speak to an item NOT on the agenda, you may do so during the "Verbal Communications" period. The time allocated to speakers may change to better facilitate the Rent Advisory Committee meeting.

The purpose of the Rent Advisory Committee meeting is to conduct the business of the community in an effective and efficient manner. This is done by following meeting guidelines set forth in State law and in the Town Code. Conduct which is considered disruptive during Rent Advisory Committee meetings include, but is not limited to:

- Addressing the Rent Advisory Committee without first being recognized;
- Interrupting speakers, Rent Advisory Committee members, and Town staff;
- Continuing to speak after the allotted time has expired;
- Failing to relinquish the podium when directed to do so; and
- Repetitiously addressing the same subject.

For the benefit of the community, the Town of Los Gatos asks that you follow the Town's meeting guidelines while attending Rent Advisory Committee meetings and treat everyone with respect and dignity.

Writings related to an item on Rental Advisory Committee meeting agenda distributed to members of the Commission within 72 hours of the meeting are available for public review at the front desk of the Los Gatos Public Library, located at 110 E. Main Street and are also published on the on the official Town of Los Gatos website. Copies of desk items distributed to members of the Commission at the meeting are available for review in the Neighborhood Center at front desk.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Community Services Department at (408) 354-6820. Notification 48 hours before the meeting will enable the Town to make reasonable arrangements to ensure accessibility to the meeting. [28 CFR 35, 102-35.104]

**RENT ADVISORY COMMITTEE
AGENDA, JANUARY 15, 2009, PAGE 2**

1. **ROLL CALL**
2. **MINUTES**
Approve Minutes of March 1, 2007 (Attachment 1)
3. **COMMUNICATIONS**
(Three minutes time limit per speaker for subjects not agendized.)
 - 3.1 Verbal
 - 3.2 Written
4. **BUSINESS**
 - 4.1 Discuss Proposal from Bonnie View Mobile Home Park to Eliminate Vacancy Control (Attachment 2)
5. **STAFF REPORTS**
 - 5.1 Town Code Section 14.80, Rental and Other Landlord/Tenant Disputes, and Rental Disputes Resolution Regulations: Status of RAC Proposal to Restrict Debt Financing Pass-Through (Attachment 3)
6. **ADJOURNMENT**

ATTACHMENTS:

1. Minutes of March 1, 2007
2. Proposal from Bonnie View Mobile Home Park
3. Staff Report

ATTENDANCE: Please contact the Commission Chair or the Community Services Department at (408) 354-6820 if you are unable to attend. The current Town Attendance Resolution states that any commissioner who is absent from four regular meetings held in a twelve month period, shall surrender his or her office on the Commission.



MEMORANDUM

Community Services Department

To: Rent Advisory Committee

From: Regina A. Falkner
Community Services Director

Subject: **Proposal from Bonnie View Mobile Home Park to Eliminate Vacancy Control:
Refer to Staff for Response**

Date: January 9, 2009

RECOMMENDATION:

That the Rent Advisory Committee (RAC) review and discuss the proposal from Bonnie View Mobile Home Park and refer the item to Staff for response.

DISCUSSION:

Attached to this memo is a proposal from Bonnie View Mobile Home Park representative Gerry Mirassou. At the meeting, Mr. Mirassou will be provided an opportunity to present the proposal. After discussion by the RAC, it is recommended that the proposal be referred to staff for response.

Bonnie View Park

October 31, 2008

Regina Falkner, Director
Community Services Department
Town of Los Gatos
P.O. Box 949
Los Gatos, CA 95014

RE: Requested change to the Mobile Home Park Ordinance

Dear Regina,

Attached is our request for an amendment to the Los Gatos Mobile Home Park Ordinance regarding elimination of vacancy control. Please schedule this for our next RAC meeting. I know we still have some outstanding business regarding pass throughs for apartments, but I would still like to introduce this to the committee as soon as possible. Please call me and let me know when you can schedule this request. Thank you for your assistance in this matter.

Sincerely,



Gerry Mirassou

Cc: Committee members & Martin Eichner

October 28, 2008

To: Rental Advisory Committee Staff and members

From: Clovis and Gerry Mirassou

RE: Requested amendment to the Mobile Home Rental and Other Tenant/landlord
Disputes Ordinance to eliminate vacancy control

It has been over six years since the Town Council approved the latest version of the Mobile Home Rental Ordinance. As you may recall, the RAC spent about a year and a half creating the ordinance with input from mobile home residents, Park owners, Project Sentinel and subcommittees formed by RAC. At the time (2001-2002) there were two mobile home parks in Los Gatos and the ordinance was written taking into account the situations at both parks. The task of adapting the ordinance to both parks was made that much more difficult due to the fact that Los Gatos Mobile Home Park was attempting to close down. Since that time Los Gatos Mobile Home Park has been totally rebuilt and is more a condo project with million dollar homes. Bonnie View Park, on the other hand, has been going through a substantial upgrading of infrastructure and new homes while remaining a classic mobile home park where residents lease their sites.

Taking this background into account, we believe it is time to revisit the Ordinance and request a change to it to correct an inequity that has evolved over the course of the last seven years. The ordinance no longer pertains to two mobile home parks. It is an ordinance governing one specific property, Bonnie View Park, and it should reflect the economic realities of that park. As a matter of background, during the writing of the ordinance the most contentious dialogue dealt with the issues of annual rent raises and rent increases to a new buyer upon the "in place" sale of a mobile home (partial vacancy control.). For the former we agreed to CPI with a 3% floor and a 5% ceiling. For the latter we settled on \$488 or \$25 more than the existing space rent for the year 2000 and each year after that the increase would be the CPI annual increase or \$25 whichever is greater. Other content such as supplemental rent increases and managing tenant/landlord disputes were much less controversial but more detailed.

In dealing with the rent raise issues during the drafting of the ordinance, RAC felt strongly that it should strive toward stabilizing rents rather than controlling them while providing a just and reasonable return to park owners (Sec. 14.85.015(e)). In dealing with supplemental rent increases and tenant/landlord disputes RAC crafted the ordinance to encourage dialogue between owners and residents. As far as we are concerned, the ordinance has succeeded in all the areas mentioned above except one, partial vacancy control or the rent to a new buyer upon the "in place" sale of a mobile home. In its deliberations on this issue RAC felt that starting with a hard number was preferable to a formula approach, because formulas are much more easily manipulated. We settled on \$488 by comparing the rents in both parks and comparing them to the most recent sales and massaging the two until we agreed on that number.

Deliberations also took into account the Park owner's eventual goal of buying mobile homes from residents as they came up for sale and how much profit, if any, mobile home owners should realize on the sale of their home. This specific issue by far became the

most contentious. Park owners asserted that the mobile homes have no value except their "blue book" value and that the only reason they are selling for more is because rent control is actually transferring the value of the property from the owner of the land to the owner of the mobile home. Mobile home owners claim that the increased value is due to their maintenance of the property and that they should realize a portion of the increase of value since they lived there as the property gained value. RAC decided on a compromise.

During the first few years the \$488 beginning formula was enough to prevent high asking prices on old mobile homes. This, in turn, gave the park owner (or a dealer working in conjunction with a park owner) the opportunity to purchase the mobile home at a reasonable price from the home owner and still provide a reasonable profit to the park owner and dealer upon bringing in and selling a new mobile home. Thus, all parties participated in the profit when the new home sold at market price. This worked well up until recently when mobile home prices began to increase. Now the more knowledgeable owners realize that they can sell directly to an individual who can then put in a new mobile home without the space rent increasing drastically. Thus, the low space rent is transferring the land value of the park's land to the owner of the old mobile home. RAC realized that dealers and real estate agents/brokers would attempt to do this Section (14.85.025©), but we did not take into consideration that individual mobile home owners would attempt to profiteer as well.

In essence, we as park owners have agreed to share the value of our land with mobile home owners when they sell their mobile home to us. We have bought 45 year old homes for \$35,000 only to tow them to the junkyard to make way for a new home. Furthermore, we have observed 25 year old mobile homes sell to new buyers for \$100,000, realizing that the new buyer will never get that value when he/she sells. We have invested heavily into upgrading our park and it is not just nor reasonable that the owner of a 45 year old mobile home receive the value of our land for a mobile home that will be thrown away. For these reasons we are requesting that RAC consider a change to the ordinance to eliminate vacancy control. That would allow us to offer a reasonable price to the homeowner and also realize a profit on the sale.

Only the long-term tenants benefit from rent control -- those with 40+ year-old mobile homes who bought their homes for \$10-15,000. Their rents have been kept well below market since the early 1980's due to The Town's rent control ordinances. Now upon selling they will not only have benefited from years of low rents, but they can reap the gain of the transferred value of the land by selling to another private party who intends to put in a new mobile home. It wasn't RAC's intent in crafting the ordinance to transfer property value. It was there intent to stabilize rents and prevent excesses of Park owners that would in essence take the mobile home on an in-place sale by raising the rent to a new buyer by an exorbitant amount.

We realize that eliminating vacancy control would place the burden on us to be fair to sellers, and that is what we are already doing and intend to continue doing. We are asking for this change because some sellers in the Park are taking advantage of the partial vacancy control section of the ordinance to unfairly reap the benefits of our land value.



MEMORANDUM

Community Services Department

To: Rent Advisory Committee

From: Regina A. Falkner
Community Services Director

Subject: Status of Rent Advisory Committee Proposal to Restrict Debt Financing Pass-Through

Date: January 9, 2009

RECOMMENDATION:

Information, only.

DISCUSSION:

Staff has received an opinion from the Town Attorney that indicates that pass-through of debt financing may be restricted to limit property speculation as long as the property owner is provided a fair return on investment.

Based on this feedback and previous RAC direction, staff will prepare draft revisions to the regulations.